

# Awarding Campus-Based Aid

## NEED-ANALYSIS FORMULAS

The Higher Education Act of 1965, as amended (HEA), provides a single methodology for determining the Expected Family Contribution (EFC) and cost of attendance (COA) for all Federal Student Aid (FSA) programs. Need-analysis and COA are discussed in *Volume 1 - Student Eligibility*. If the student's COA exceeds his or her EFC, the student has need.

Before awarding aid from campus-based programs, the financial aid administrator must take into account aid the student will receive from other FSA programs. The administrator must also take into account other resources that the school makes available to its students, resources about which he or she knows, or resources that the administrator can reasonably anticipate at the time aid is awarded to the student. An aid administrator may not award or disburse aid from a campus-based program if that aid, when combined with all other resources, would exceed the student's need.

If, **at any time during the award period**, the student receives additional resources that were not considered in calculating the student's eligibility for campus-based aid and if these resources combined with the expected financial aid will exceed the student's need, the amount in excess of the student's need is considered an overaward.

## RESOURCES

Resources, as defined by the campus-based regulations, include but are not limited to:

- funds a student is entitled to receive from a Federal Pell Grant;
- William D. Ford Federal Direct Loans (Direct Loans);
- Federal Family Education Loans (FFELs);

### Maximum campus-based aid calculation

	Financial Need
(-)	Aid from other FSA programs and resources
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=	Maximum Campus-Based Aid

### Resources cite

34 CFR 673.5(c)

- long-term loans made by the school, including Federal Perkins Loans (short-term emergency loans are not considered to be a resource);
- grants, including Federal Supplemental Educational Opportunity Grants (FSEOGs), state grants, and Reserve Officer Training Corps (ROTC) living allowances;
- scholarships, including athletic scholarships and ROTC scholarships, and scholarships that require future employment but are given in the current year;
- waivers of tuition and fees;
- fellowships or assistantships;
- veterans educational benefits paid under Chapters 30, 31, 32, and 35 of Title 38 of the U.S. Code;
- income from insurance programs that pay for the student's education;
- net income from need-based employment; and
- AmeriCorps funds (national service education awards or post-service benefits under Title I of the National and Community Service Act of 1990).

“Need-based employment” means employment that is awarded by the school itself or by another entity to a student who demonstrates a financial need for those funds for the purpose of defraying educational costs of attendance for the award year. Only income from **need-based** employment may be considered as a resource.

**Non-need-based** earnings are not to be considered as a resource for the current award year because they will be reported as income on the Free Application for Federal Student Aid (FAFSA) for the subsequent award year and will be used in calculating the EFC.

To determine the net amount of a student's FWS earnings that will be available to help pay for his or her COA, the school must subtract estimated taxes and job-related costs from the student's gross FWS earnings (see *Volume 6 - Federal Work-Study*). Any portion of the above resources that is included in the calculation of the student's EFC is not considered to be a resource.

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#### Stafford substitution cite

34 CFR 673.5(c)(3)

The school may treat a Federal PLUS Loan, Direct PLUS Loan, unsubsidized Federal Stafford Loan, Direct Unsubsidized Loan, state-sponsored loan, or a private loan as a substitute for a student's EFC. However, if the sum of the loan amounts received exceeds the student's EFC, the excess is a resource.

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#### Stafford exclusion cite

34 CFR 673.5(c)(4)

You may, as an option when packaging aid, **exclude** as a resource a portion of a subsidized Stafford Loan up to the amount of the student's Chapter 30 veterans education benefits (also known as the Montgomery GI Bill – Active Duty) and/or AmeriCorps funds. For an

example of how this exclusion factors into a student's financial aid package, see volume 1. (Chapter 30 veterans education benefits and AmeriCorps awards must be **excluded** from estimated financial assistance when determining a student's eligibility for a subsidized Stafford Loan.)

**Noneducational** veterans benefits are not counted as a resource or estimated financial assistance, as they are already counted in the EFC formula as nontaxable income. Noneducational veterans benefits include Death Pension and Dependency and Indemnity Compensation (DIC) benefits.

## OVERAWARDS

A financial aid administrator may not award or disburse aid from a campus-based program if that aid, when combined with all other resources, would exceed the student's need. If a student who has already been awarded a financial aid package later receives additional resources that cause his or her financial aid package to exceed his or her need, the amount in excess of the student's need is considered an overaward.

There is a \$300 overaward threshold for all campus-based programs. The \$300 threshold is allowed only if an overaward occurs after campus-based aid has been packaged. The threshold does not allow a school to deliberately award campus-based aid that, in combination with other resources, exceeds the student's financial need.

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### Overaward cite

34 CFR 673.5

## STEPS TO TAKE IF THE TOTAL RESOURCES EXCEED NEED

If a school learns that a student has received additional resources that were not included in calculating the student's eligibility for aid from the Perkins Loan, FWS, or FSEOG Program that would result in the student's total resources exceeding his or her financial need by more than \$300, the school must take the following steps:

1. If the student's aid package includes a loan under the FFEL or Direct Loan Program, the school must first follow the overaward requirements that are presented in *Volume 8 - Direct Loan and FFEL Programs*. Also, a school may attempt to reduce or eliminate the overaward by changing the function of an unsubsidized loan (a Stafford Loan, a nonfederal loan, or the parents' PLUS Loan) from covering need to replacing the EFC. (However, if the sum of the loan amounts exceeds the student's EFC, the excess must be treated as a resource.)
2. If there is no FFEL or Direct Loan in the student's aid package or if the school eliminates the FFEL or Direct Loan

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### Resolving overaward cite

34 CFR 673.5(d)

overaward and if, in either case, the student's total resources still exceed the student's need by more than \$300, the school must recalculate the student's need to determine whether he or she has increased need that was not anticipated when the school awarded aid to the student. If the student's need has increased and if the total resources do not exceed the increased need by more than \$300, the school is not required to take any additional action.

3. If the school recalculates the student's need and determines that the student's need has **not** increased or that his or her need has increased but that the total resources still exceed his or her need by more than \$300, the school must cancel any loan or grant (other than a Pell Grant) that has not already been disbursed.
4. If the student's total resources still exceed his or her need by more than \$300 and his or her resources include a Perkins Loan and/or FSEOG, the amount that exceeds the student's need by more than \$300 is a Perkins Loan or FSEOG overpayment.

For a student employed under the FWS Program, if the school recalculates the student's need and determines that the student's need has increased and if the total resources do not exceed that increased need by more than \$300, the school may use FWS funds to pay the student until the FWS award has been earned or until the student's increased need has been met. In addition, the school may continue employing the student under FWS after the full amount of the FWS award has been earned and the student's financial need has been met; however, the school may pay the student with FWS funds only up to the time the income from **need-based** employment exceeds the student's financial need by more than \$300. At that point, FWS funds may no longer be used to pay the student. The school may continue to employ the student, but funds other than FWS funds must be used to pay the wages.

## OVERPAYMENTS

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### Overpayment cite

34 CFR 673.5(f)

In general, a student is liable for any Perkins Loan or FSEOG overpayment made to him or her. A Perkins Loan or FSEOG overpayment is created whenever a student receives funds that exceed his or her eligibility. For purposes of FSEOG overpayments, when a school awards FSEOG using the individual recipient or aggregate matching share methods, the FSEOG overpayment amount includes only the federal share.

### *Exceptions to student liability*

There are some exceptions to holding a student liable for a Perkins Loan or FSEOG overpayment. A student is not liable for a Perkins Loan or FSEOG overpayment when the school is liable for it. Your school is liable for any amount of a Perkins Loan or FSEOG overpayment (including amounts under \$25) that occurred because

your school failed to follow the procedures in 34 CFR parts 668, 673, 674, or 676. If your school makes a Perkins Loan or FSEOG overpayment in any amount for which it is liable, you must immediately restore an amount equal to the overpayment plus any administrative cost allowance claimed on the amount to your Perkins Loan fund, for a Perkins Loan overpayment, or to your FSEOG account, for an FSEOG overpayment. The school may attempt to collect the amount of the overpayment from the student after it has returned the funds, but the debt is not considered a Title IV debt.

A student is not liable for a Perkins Loan or FSEOG overpayment that is less than \$25 and is *neither a remaining balance nor a result of applying the \$300 campus-based overaward threshold*. Such overpayments do not affect the student's Title IV eligibility. Your school need not attempt recovery of such overpayments, report them to NSLDS, or refer them to the Department.

A campus-based overpayment that is less than \$25 is a *remaining balance* when the overpayment amount was originally \$25 or more, but is now less than \$25 because the student made payments. A campus-based overpayment that is less than \$25 can also be a *result of applying the \$300 campus-based overaward threshold*. For example, a school discovers that a student subsequently received additional sources of aid that result in an overaward of \$314, but the student only has a campus-based overpayment of \$14 after applying the \$300 overaward threshold. In both cases, the student is still responsible for fully repaying the overpayment amount even though it is under \$25.

### **Actions to take when student is liable**

If you can eliminate the Perkins Loan or FSEOG overpayment by adjusting later FSA payments (excluding Pell) in the same award year, the student is no longer liable. When that is not possible, you must promptly attempt to recover the overpayment by sending a written notice to the student requesting the repayment of the overpayment. The written notice must state that if the student fails to repay the overpayment, or fails to make satisfactory repayment arrangements, the student will be ineligible for additional Title IV funds until final resolution of the overpayment. The written notice can be delivered electronically or via paper.

If a student claims that the school has made a mistake in determining the Perkins Loan or FSEOG overpayment, you must consider any information provided by the student and determine whether the objection is warranted.

If the school determines that the student's objection is not warranted and the student still has not repaid or made satisfactory arrangements to repay the FSEOG overpayment, the school must refer the FSEOG overpayment to the Department for collection. After referring the overpayment to the Department, you are not

required to make any further attempts to collect the FSEOG overpayment. However, you must report the unresolved FSEOG overpayment to NSLDS. See volume 1 for specific information on referring the unresolved FSEOG overpayment to the Department and reporting it to NSLDS.

If after notification and consideration of any student's objection, the student still has not repaid or made satisfactory arrangements to repay the Perkins Loan overpayment, the school is not required to refer the unresolved Perkins Loan overpayment to the Department for collection. The unresolved Perkins Loan overpayment remains with the school so that payments collected from the borrower may be returned to the school's revolving loan fund. However, your school must report the unresolved Perkins Loan overpayment to NSLDS. See volume 1 for additional information on reporting the unresolved Perkins Loan overpayment to NSLDS.

### *Impact of overpayment on student eligibility*

In general, a student is not eligible to receive Title IV funds if he or she is liable for a Perkins Loan or FSEOG overpayment. However, a student who receives a Perkins Loan or FSEOG overpayment may still be eligible to receive Title IV funds if the student pays the overpayment in full, the student makes satisfactory repayment arrangements, or the school can eliminate the overpayment by adjusting later payments in the same award year. See volume 1 for further details on student eligibility and overpayments.

## **COORDINATION WITH BUREAU OF INDIAN AFFAIRS GRANTS**

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### **Coordination with BIA Grants cite**

34 CFR 673.6

To determine the amount of campus-based aid for a student who is or may be eligible for a Bureau of Indian Affairs (BIA) grant, a school must first develop a financial aid package without considering any BIA funds. If the total aid package—after BIA funds are added—does not exceed the student's need, no adjustment may be made to the aid package. If the total package plus the BIA grant does exceed need, the school must eliminate the excess in the following sequence: loans, work-study awards, and grants other than Pell Grants. (The school may **not** reduce a Pell Grant or BIA grant.) The school may alter this sequence of reductions upon the student's request if the school believes the change would benefit the student. In determining the amount of financial need for a student eligible for a BIA grant, a financial aid administrator is encouraged to consult with area officials in charge of BIA postsecondary financial aid.